Rod R. Blagojevich, Governor
Barry S. Maram, Director

Illinois Department of Public Aid

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July 15, 2003

Dennis Smith, Director
Center for Medicaid and State Operations
Centers for Medicare and Medicaid Services
7500 Security Blvd.
S5-26-12
Baltimore, MD 21244-1850

Dear Mr. Smith:

The enclosed information is in response to the Centers for Medicare and Medicaid Services' (CMS) request for additional information about Illinois' request to expand its SeniorCare waiver to 250% of FPL. This information should answer all of the questions posed by your staff, and should provide the final information necessary for CMS to approve the expansion of this proven benefit to additional low-income seniors.

When Illinois originally applied for this waiver, CMS limited it to 200% FPL but stated that IDPA could reapply to expand to 250% FPL if it could demonstrate that seniors in the income range between 200% and 250% of FPL spent down to Medicaid eligibility.

Illinois is confident that previously submitted data as well as the enclosed document, further clarifying our position, demonstrating the nexus CMS has indicated it wants to see between this population and the Medicaid program in order to authorize the requested expansion. To this end, it is important to remember that Illinois' original budget neutrality submission was based on expanding to 250% FPL. As such, there is currently excess room under our cap to include this expansion.

We look forward to quick approval of our request so that we can soon begin to serve this vulnerable population. Should you have any further questions, please do not hesitate to contact my staff, who have been working closely with your staff on this groundbreaking waiver from the beginning.

Sincerely,

Barry S. Maram
Director

cc: Tammi Hessen
Cheryl Harris

Illinois Department of Public Aid

SeniorCare Waiver Expansion

Additional Information Prepared For The Centers For Medicare and Medicaid Services

July, 2003

Overview

The Illinois Department of Public Aid (IDPA) applied to CMS for a pharmacy plus waiver (SeniorCare) in July, 2001. The original request was to cover seniors up to 250% FPL. CMS approved this waiver in January 2002 but limited it to a population up to 200% FPL. However, CMS at the time of approval stated that IDPA could reapply to expand to 250% FPL if it could demonstrate that seniors in the income range between 200% and 250% of FPL spent down to Medicaid eligibility

IDPA, in March of 2003, requested to amend its SeniorCare expansion demonstration waiver. The State seeks to increase the eligibility threshold from 200% of the federal poverty level (FPL) to 250% FPL. Illinois can supply CMS with whatever data is necessary to demonstrate why this expansion is good fiscal policy for both the federal government and the State.

A drug benefit extended to this population will result in improved health outcomes and a substantially lowered incidence of institutionalization thus promoting community living – consistent with the President's "Freedom Initiative" and Executive Order 13217 and, reduced Medicaid costs for both the State and federal government.

The following briefing seeks to answer the Centers for Medicare and Medicaid Services' additional request for detailed information about the potentially affected population and its nexus to the Medicaid program

Responses to CMS Questions

A. OVERALL

1) A) Spreadsheets and Budget Neutrality. Please provide the supporting spreadsheets, including enrollment and cost information, for the state's expansion population.

B) While CMS does not expect to re-open the budget ceiling amount for the demonstration, the state has included separate estimates for the Medicaid population between 200% FPL and 250% FPL, and these estimates are higher than those utilized for the estimates for the current budget ceiling.

C) Therefore, also provide the supporting spreadsheets and explanation for the estimates of the Medicaid population between 200% and 250% FPL that were used in the estimates provided in your additional information.

The following Table displays the costs associated with expanding SeniorCare to 250% FPL.

Table 1

Illinois Medicaid Drug Expansion From 200% to 250% FPL - State Benefit

(All dollars in millions except recipient data)

	FY04	FY05	FY06	FY07	Cumulative
Population (FTE)	48,840	50,240	51,660	53,130	
Gross Cost Per Recipient Per Year	$ 1,860	$ 2,101	$ 2,374	$ 2,683	
Gross Cost of Drug Program	$ (90.8)	$ (105.6)	$ (122.7)	$ (142.6)	**$ (461.6)**
Less: Copayments	$ 3.2	$ 3.3	$ 3.5	$ 3.7	**$ 13.8**
Less: Copay above $1,750 threshold	$ 9.9	$ 12.8	$ 16.2	$ 20.4	**$ 59.3**
Gross Cost to Expand	**$ (77.8)**	**$ (89.4)**	**$ (102.9)**	**$ (118.5)**	**$ (388.6)**

It is important to remember that the costs outlined above **represent only pharmacy costs** – or only the additional costs associated with such an expansion.

Responses to CMS Questions – Continued
(Comparison to Medicaid Spending)

Table 1 detailed the marginal cost of expanding SeniorCare to 250%. These are only drug costs for the estimated 48,000 individuals who would participate and, incidentally, were included in the original budget neutrality exercise when Illinois initially requested a waiver to 250% FPL.
The estimates of costs in Table 1 do not factor in reductions in costs to the overall Medicaid program due to improved health outcomes, which are expected to materialize with such a benefit.

Conversely, Table 2 - included in the previous correspondence to CMS - details the entire Medicaid costs for the nearly 5,500 individuals between 200% FPL and 250% FPL who access the program.

Table 2

Medicaid Spending For Individuals between 200% - 250% FPL

Service Group	Est. FY 2004 Payments	Est. FY 2005 Payments	Est. FY 2006 Payments	Est. FY 2007 Payments	Total 4 year Payments
Inpatient Hospital	$ 3,205,042	$ 3,541,572	$ 3,913,437	$ 4,324,348	$ 14,984,399
Long-Term-Care	$110,205,537	$121,777,119	$134,563,716	$148,692,906	$515,239,279
Pharmacy	$ 11,933,706	$ 13,186,745	$ 14,571,354	$ 16,101,346	$ 55,793,151
Other Medical	$ 4,988,670	$ 5,512,480	$ 6,091,291	$ 6,730,876	$ 23,323,318
Total Costs	$130,332,956	$144,017,916	$159,139,798	$175,849,476	$609,340,147
Client Payments (spenddown)	$ 59,187,929	$ 60,371,688	$ 61,579,121	$ 62,810,704	$243,949,441
Total Medicaid-funded costs	**$ 71,145,027**	**$ 83,646,229**	**$ 97,560,676**	**$113,038,773**	**$365,390,705**

These 200% - 250% FPL individuals generate substantial Medicaid cost.

These numbers amply illustrate how these relatively speaking higher-income individuals (though by most standards, rather modest income) absent intervening care (expansion of SeniorCare), will represent a significant – and accelerating – drain on scarce financial resources to both the State and federal government.

Responses to CMS Questions
(Comparison of Programs)

Table 3

	SeniorCare	**Circuit Breaker** (Pharmaceutical Assistance)
Eligibility		
Income	At or below 200% FPL	At or below 250% FPL For seniors, 200% - 250% FPL For disabled, at or below 250% FPL
Residency	Illinois resident	Illinois resident
Citizenship	U.S. Citizen or Qualifying Alien	No restrictions
Age & Other	Age 65 or older	Age 65 or older; or Age 16 or older and totally disabled; or Age 63 or 64 before death of spouse eligible for benefits
Covered Drugs		
	All	Specified drugs - following diseases: Cardiovascular Diabetes Cancer Arthritis Alzheimer's Parkinson's Osteoporosis Glaucoma, Smoking related illnesses
Enrollment Fee		
At or below 100% FPL	None	$5.00
Above 100% FPL	None	$25.00
Co-pays		
At or below 100% FPL	20% after $1,750	20% after $2,000
Above 100% FPL	$1 generic $4 brand plus 20% after $1,750	$3.00 all scripts plus 20% after $2,000
Rebate Option		
	$25 per month in lieu of prescription card	None available.

Responses to CMS Questions
(Budget Neutrality Details)

Q) <u>Cost increase</u>. In the data provided, it appears that the average trend increase for the 4 years (the without waiver example of individuals between 200% FPL and 250% FPL) is almost 17 percent. Why is this increase so much higher than the overall cost increase of 10.5% that was originally predicted for Medicaid without waiver estimates during the approval process for the original SeniorCare program?

A. Please refer back to Table 1. A closer examination of total costs reveal an annual inflation rate for total costs of **10.5%.** Much of these costs are nursing facility costs of which the client pays a portion (spenddown). Beyond the client portion, Medicaid pays the balance. The vast majority of the time, this patient income is from federal SSA payments. However these SSA payments (increasing at 2.5% annually) will not increase at the same rate as the overall medical inflation (increasing at 10.5% annually). As such Medicaid, as the payer of last resort, picks up an ever enlarging portion of overall costs in out years – in this case 17% annually. It is precisely this type of accelerating cost structure that can be avoided with extension of this drug benefit.

Responses to CMS Questions
(Budget Neutrality)

Q) <u>Diversion from Medicaid</u>. In the information provided, it appears that the State will enroll all of the individuals between 200 and 250% FPL (who are currently in Medicaid) into the demonstration expansion. Please clarify how many individuals at this income level would be diverted from Medicaid because of the availability of the demonstration expansion.

A. The Department expects to enroll into the expanded demonstration program the vast majority of clients between 200% and 250% FPL currently accessing Medicaid via spenddown.

The Department's original budget neutrality exercise was based on the premise that 5% of the expansion population would be diverted from expensive institutional care. For this particular expansion request to 250% FPL, that equates to 2,400 individuals who, with the extension of this drug benefit, will experience improved health outcomes allowing them to remain in community settings, thereby reducing the need for institutionalized care and with it the substantial cost borne by the Medicaid program provision.

Responses to CMS Questions
(Cost Details)

Q) <u>Cost details</u>. In the spreadsheets, please be sure to include: how the $78 million estimate of annual costs for the higher income expansion group was derived, including enrollment and PMPM assumptions; include details of the State's estimated demonstration costs for this year of $197 million (do those include the $78 million?) Compare these figures to current spending and enrollment details for the aged portion State-only funded pharmacy program.

A. See comparison in Table 4 below.

Table 4 **Comparison of Pharmacy Programs**

	Current Program (FY03)	200% - 250% Expansion (FY04)	State-only (Aged) Pharmacy (FY03)
Population (FTE)	140,500	48,840	38,800
Gross Cost Per Recipient Per Year	$ 1,650	$ 1,860	$ 1,351
Gross Cost of Drug Program	$ (231.8)	$ (90.8)	$ (52.4)
Less: Copayments	$ 9.1	$ 3.2	$ 2.5
Less: Copay above $1,750 threshold	$ 25.3	$ 9.9	$ 3.2
Gross Cost to Expand	**$ (197.4)**	**$ (77.8)**	**$ (46.7)**

Table 4 displays the actual and estimated populations for the different drug programs. Annual recipient cost data is multiplied by the population to arrive at gross cost. Adjustments for client payments are netted out to arrive at actual State and federal cost. The costs for the expansion (FY04 estimated costs of $78 million) are independent of the costs for the current demonstration program (FY03 actual of $197 million). Note: annual per member costs for the *limited formulary* State-only program are lower than the demonstration program, which is a comprehensive drug benefit.